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Eighth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 2 July 1991, at 8.30 p.m.

President: Mr. TOFIGH (Islamic Republic of Iran)

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The meeting was called to order at 8.35 p.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.8/19 and Add.1)

(a) SCALE OF ASSESSMENTS (IDB.8/4 and Add.1)

(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT (IDB.8/10 and Corr.1; PBC.7/16)

(c) FINANCIAL SITUATION OF UNIDO (IDB.8/36; IDB.8/CRP.3)

(d) BALANCES OF APPROPRIATIONS FOR THE BIENNIUM 1986-1987 RESULTING FROM THE SUSPENSION OF FINANCIAL REGULATIONS 4.2 (B) AND 4.2 (C) (PBC.7/15)

(e) PROGRAMME AND BUDGETS, 1992-1993 (IDB.8/8/Rev.1 and Add.1)

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(f) WORKING CAPITAL FUND (IDB.8/7, IDB.8/36; IDB.8/CRP.3)

(g) FINANCIAL REGULATIONS (IDB.8/31)

(h) EXAMINATION OF THE PRACTICE OF ZERO REAL GROWTH BUDGETS (IDB.7/28; IDB.8/CRP.5)

(i) APPOINTMENT OF AN EXTERNAL AUDITOR

(j) INDUSTRIAL DEVELOPMENT FUND (IDB.8/11)

(k) FOLLOW-UP OF RECOMMENDATIONS OF THE EXTERNAL AUDITOR FOR THE FINANCIAL PERIOD 1988-1989

1. Mr. WARNER (Deputy Director-General, Department of Administration) drew the attention of the Board to the scale of assessments set out in documents IDB.8/4 and Add.1. In that connection, he noted that there were two uncertainties. At the present time, it was not known whether or not the General Assembly would adopt changes to the scale of assessments for the United Nations, and it was not known whether or not Australia would rejoin the Organization.

2. Mr. WIESEBACH (Deputy Director-General, Department for Programme and Project Development), referring to sub-item (j), introduced the report of the Director-General (IDB.8/11) on the estimated resource level and programming for 1992 and 1993 of the Industrial Development Fund (IDF). Pledges to IDF in 1990 had amounted to $29.8 million. The apparent substantial decrease in comparison with the 1989 figure of $39.3 million reflected a change in the pledging pattern of one major donor; setting that factor aside, pledges had increased from 1989 to 1990. It was gratifying to note that new donors had joined the Fund, and that some established partners had increased their contributions.

3. Notwithstanding the overall decrease in pledges, the value of projects approved in 1990 had amounted to $30.9 million, thus keeping pace with the amounts approved in the previous year ($31.7 million). In 1990, moreover, an all-time high (94 per cent) had been achieved in the rate of project implementation.

4. The approval figure of $30.9 million was distributed as follows: special-purpose convertible, $25.7 million; special-purpose non-convertible, $1.8 million; general-purpose non-convertible, $1.4 million; general-purpose convertible, $1.9 million. Donor Governments were responding positively to the Secretariat's pleas to provide UNIDO with more programming flexibility, and he singled out the Netherlands, Italy, Sweden, Norway and Germany in that connection.

5. Despite those welcome developments, which facilitated administration, the annual funding level of $50 million for the United Nations Industrial Development Fund endorsed by the General Assembly in 1977 and the $5 million target for the general-purpose convertible segment set by the General Conference of UNIDO at its third session were still far from being attained. The resource position appeared to be even less favourable if calculated in real terms: that was particularly true of general convertible resources. An additional effort by Member States was thus called for. The availability of new resources in the general-purpose convertible segment would have a vital bearing on the Organization's capacity to programme and deliver technical assistance, with due regard to equitable geographical distribution.

6. In consequence of recent decisions by the Governing Council of UNDP on agency support costs and other related matters, extrabudgetary resources and hence voluntary contributions would assume greater significance. Project and programme identification and development would be integrated in the overall operational activities of the United Nations system in the field, and wherever possible coordinated with development-oriented bilateral assistance. The documentation before the Board set out the new proposed programming methodology, as well as proposals for streamlining procedures and reducing administrative costs.

7. It was foreseen that, during the biennium 1992-1993, IDF resources would be put to the following uses: the promotion of innovative, non-traditional pilot projects concerning, in particular, the transfer of new and advanced technologies; the promotion of comprehensive global, regional and interregional projects and programmes for the development or rehabilitation of specific industrial subsectors; the financing of preparatory phases of technical cooperation activities; and enhancement of the flow of resources to productive investment projects.

8. Recalling that the general policy guidelines for IDF were established by the General Conference or by the Board on its behalf, he called for comments and guidance concerning the programming thrust for 1992-1993, so that the relevance and impact of the Fund might be maximized in both substantive and financial terms.

9. Mr. LAVIÑA (Philippines) requested that the following statement made in the Programme and Budget Committee by the representative of India, speaking on behalf of the Asian group of countries, should be included in the annex to the Committee's report on its resumed session (IDB.8/19/Add.1): "The Asian Group is of the view that there are no reasons for further postponing the approval of the programme and budget of the Organization for 1992-1993 and is opposed to the deferment of its consideration. However, it does not want to block any consensus on the issue."

10. He was raising the issue in the Board because the statement of the representative of India had not been included in the annex to the report of the Programme and Budget Committee, although the statements of other countries had been included.

11. Mr. TCHOULKOV (Union of Soviet Socialist Republics), speaking as Rapporteur of the Programme and Budget Committee, paid tribute to the hard work and spirit of cooperation of the members of that Committee, as well as the Secretariat.

12. In reply to the representative of the Philippines, he said that it was not the normal practice to include statements by members in the report of the Programme and Budget Committee. In the present report, it had been necessary to do so because of express requests by five delegations, whose statements had been included. The statements of other delegations, among them the delegation of India, who had not expressly requested inclusion in the report, had not been included.

13. The PRESIDENT said that matters for inclusion in the report of the Programme and Budget Committee should be decided by the Committee itself. He suggested that the Rapporteur of the Committee and his Friends might seek a solution.

14. Mr. PLUG (Netherlands), speaking on behalf of the member States of the European Community, said that having heard the Director-General's opening statement the European Community was obliged to reiterate its concern about UNIDO's critical financial situation. Given the high percentage of unpaid assessed contributions, it was difficult, if not impossible, for UNIDO to implement approved programmes and projects properly. The European Community once again urged Member States to pay their contributions, including any arrears, as soon as possible and to meet their obligations on time in the future.

15. With regard to the use of unutilized balances of appropriations, the member States of the European Community could not agree to suspending financial regulations 4.2 (b) and (c) as a general practice. For those States the proposal on the unutilized balances from 1988-1989 contained in Programme and Budget Committee conclusion 1991/3 was dependent upon the use made of the remaining $6,496,192. Those States also approved the Director-General's proposal in document IDB.8/31 concerning the Tax Equalization Fund.

16. On the matter of the Industrial Development Fund, the European Community recommended that the Board should adopt Programme and Budget Committee conclusion 1991/10 and ask the Director-General to provide the information requested before the fourth session of the General Conference.

17. The member States of the European Community were pleased to recommend to the Board Programme and Budget Committee conclusion 1991/2 on the follow-up of the recommendations of the External Auditor for the financial period 1988-1989. In connection with IDB.7/Dec.5, paragraph (d), they requested the Director-General to submit to the General Conference at its fourth session a detailed report on the action taken with regard to the observations made in the External Auditor's report (IDB.7/11) and the results of the implementation of the audit instructions on those matters, especially with respect to paragraphs 56-60, 63-66 and 95-135 of document IDB.7/11.

18. Mrs. HÖVA-GOTSCH (Austria) said that her delegation had been highly dissatisfied by the performance of the Programme and Budget Committee at its seventh session and the outcome of the session. The Committee had failed, for the second time in two months, to make a recommendation on the budget to the Board, a situation which was all the more deplorable in that disagreements over the figures presented did not seem to be significant. Unless the situation was resolved within the current year, her delegation had grave fears for the future of UNIDO. Her delegation appealed to all members of the Committee and the Board to make their intentions clear and try to be constructive. It would also help if Member States showed a greater sense of responsibility in paying their assessed contributions on time and in full.

19. The financial situation of UNIDO was still distressing. Her delegation had repeatedly appealed to Member States to fulfil their financial obligations to the Organization. The fact that a large number of countries did not enjoy the right to vote at the present time could only be deplored.

20. She regretted Australia's decision not to rejoin UNIDO for the time being. By participating in UNIDO's activities, Australia could also have contributed to the Organization's important work in countries and regions which were relevant to Australia's development cooperation. On the other hand, the recent sessions of the Programme and Budget Committee were unlikely to serve as an incentive for Australia to rejoin. Member States had a joint responsibility to ensure that membership in UNIDO once again became attractive.

21. The Industrial Development Fund continued to be regarded by the Austrian authorities as an important channel for their activities in the area of development cooperation. Not being content to fund particular projects for an indefinite period of time, Austria had recently undertaken, jointly with UNIDO, an evaluation of a number of traditional training programmes. The results had been encouraging, although several proposals for constructive change had been made and were already being taken into account. In future, evaluation and follow-up would be an integral part of projects financed by Austria.

22. Due to parliamentary elections in 1990 and the consequent delay in budgetary procedures, Austria had not been in a position to make a firm pledge to the Industrial Development Fund. In the meantime, the untied contribution of 2 million Austrian schillings had already been remitted. The ultimate contribution to the IDF would depend on a number of projects still in the pipeline, but the intention was to surpass the previous year's level, which was in the region of 14 million schillings.

24. In conclusion, she expressed the hope that the Programme and Budget Committee would reach a decision on the 1992-1993 budget at its resumed session on 23 August. Any further procrastination could well prove fatal for UNIDO.

24. Ms. WIIG (Observer for Norway), speaking on behalf of Denmark, Finland, Sweden and Norway, said that it was clear from the documentation on agenda item 11 that the single most important document, a budget recommendation for approval by the Board, was missing.

25. The budget presented to the seventh session of the Programme and Budget Committee in April was a very ambitious one and the Nordic delegations, among others, had pointed out that a number of items on the income side were uncertain and speculative.

26. However, the revised budget presented to the resumed session of the Committee had satisfactorily met the concerns voiced. The Nordic countries were prepared to accept the revised budget contained in IDB.8/8/Rev.1 and recommend it for approval. That did not mean that they were entirely happy with all aspects of the budget, and particularly not with the way the Secretariat had handled the computer affair. On the contrary, they had serious objections and had no hesitation in saying that there had been mismanagement within the Secretariat.

27. The Nordic delegations believed, however, from the assurances received from the Director-General, that UNIDO had now learnt its lesson, that steps had been taken to remedy the situation and that no similar mismanagement would occur in the future.

28. A number of delegations at the resumed session of the Committee had not shared those views, however, and had insisted that the budget needed yet another revision, and it had therefore been decided to reconvene the Committee in August.

29. The Nordic countries profoundly deplored that situation. UNIDO had been haunted by almost constant crises. It was now time to restore confidence in the relationship between Member States and the Secretariat. That assumed that an effort would be made on both sides: the Secretariat must assure Member States that it was competent and would perform in accordance with the expectation of Governments. Governments must pay their assessed contributions and make an effort to give the Organization the clear instructions it needed to do its job.

30. In that connection, the Nordic delegations agreed with the Director-General who had pointed out that lack of a clear understanding on the programme and budgets for 1992-1993 had introduced a strong element of uncertainty into UNIDO's work, putting ongoing programmes at risk and having negative effects on staff morale.

31. When the Board met again, the Nordic countries hoped that the report of the Programme and Budget Committee would be complete and include a recommended budget.

32. Mr. BELLO (Philippines) said that the most recent session of the Programme and Budget Committee had been extremely difficult, and that the conclusions and recommendations now before the Board for consideration had been arrived at after thorough deliberation and intensive negotiations.

33. His delegation wished to reiterate its conviction that all Member States should cooperate in ensuring the continued existence of the Organization. In particular, more effort should be made in ensuring payment of long-overdue assessments.

34. Secondly, the return to Member States of the unutilized balances of appropriations for the biennium 1986-1987 would further aggravate the already grave financial situation of UNIDO. He urged the continuing suspension of financial regulations 4.2 (b) and (c) in order to cover the supplementary estimate of $0.8 million for the regular budget of 1990-1991.

35. Thirdly, the new priorities and commitments of UNIDO as envisaged in the medium-term plan also entailed reconsideration of the practice of zero real growth budgets. In the current financial situation, no one could expect UNIDO to accomplish its mandate satisfactorily unless the Organization's fiscal policies were adjusted.

36. Like other delegations, his delegation deeply regretted the failure of the Programme and Budget Committee to endorse the programme and budget for the biennium 1992-1993. His delegation had not stood in the way of a consensus in favour of a resumed session of the Committee, and it appealed to other Member States to adopt a constructive attitude in order to spare the Organization from a crisis that was avoidable.

37. The Secretariat had satisfactorily explained the situation and had complied with previous policy directives. It was now up to the Member States to ensure that the Secretariat had sufficient financial support to pursue its mandate effectively.

38. Mr. TAIANA (Argentina) said that his delegation was among those which shared the concern expressed by the Director-General in his opening statement at the failure of the Programme and Budget Committee to approve the programme and budgets for the next biennium. It did not, however, agree with the Director-General's assessment of the circumstances surrounding that failure. The Secretariat seemed to be distancing itself from UNIDO's financial difficulties by attributing them mainly to the non-payment by Members of their obligations to the Organization; admittedly, that was an important element in the situation, but it was also true that decisions taken by the Secretariat had created obligations for the Organization that went beyond what its governing bodies considered acceptable. The result of that undesirable process was a proposal for a budgetary increase of some 14 per cent in real terms. Because of its present economic constraints, Argentina was in no position to approve a proposal which would inevitably enlarge its financial obligations to UNIDO.

39. His delegation did not agree with the observation made by the Director-General in his opening statement that Members in arrears had no right to air views on the affairs of the Organization. Those States should not be lumped together, since the position of a developing country in default because of an economic crisis, natural disaster or austerity measures was not comparable with that of an industrialized country which refused to pay its dues for reasons which were obscure. His delegation took the view that developing countries in arrears because of exceptional economic difficulties should have their voting rights preserved under the dispensation provided for in the second sentence of Article 5 (2) of the Constitution.

40. At the resumption of the Programme and Budget Committee's seventh session, many delegations had spoken of the climate of mistrust which was hampering the Organization's business. His delegation joined others in urging a speedy restoration of confident dialogue based on transparency of information, respect for the terms of reference of the Board and the General Conference and observance of the principles of international cooperation.

41. Mr. CHEN Shiqiu (China) said that the conclusions reached by the Programme and Budget Committee at its seventh session formed a sound basis for the Board's consideration of the item.

42. In regard to sub-items (c) and (d), he noted that the Organization's serious financial situation was due mainly to the late payment of assessed contributions by a large number of Members. That had adversely affected its technical cooperation and been the reason for the retention of unutilized balances of appropriations for two consecutive bienniums, as well as a reduction in the percentage of the operational

reserve. His delegation hoped that Members in arrears would pay their contributions without further delay and that all Members would pay their assessed contributions as early as possible in each calendar year, so as to extricate the Secretariat from its financial dilemma. At the same time, the Secretariat should study opportunities for improving internal coordination and the quality of its technical cooperation, with a view to enabling UNIDO to play a more encouraging role in the industrialization of the developing countries. Efforts made by the Secretariat in those directions would attract the more timely and more abundant provision of funds for its work. His delegation approved the Director-General's request to use $4.3 million of the unutilized balances of appropriations for the biennium 1986-1987 and it hoped that they would be allocated to areas of activity which badly needed support.

43. With regard to sub-item (e), his delegation regretted that the dispute over the computerization programme had prevented the Programme and Budget Committee from approving the proposed programme and budgets for the biennium 1992-1993. It hoped that the Secretariat would revise the programme and budgets further with a view to their approval by the Programme and Budget Committee at the resumption of its session the following month. In undertaking that revision, the Secretariat should take account of three points. First, in 1992 the introduction of national project execution and other measures would alter the existing relationship between UNIDO and recipient countries, and 1992 was also the year for a restructuring of UNIDO with the aim of strengthening its substantive units; those developments should be reflected in the present proposals, and it was puzzling that budget allocations for certain operational units had been cut. Secondly, the important activity of economic and technical cooperation among developing countries (ECDC/TCDC) should receive at least the same budgetary allocation as it enjoyed in the present biennium. Finally, the resources allocated to the pursuit of special trust fund activities should be commensurate with their anticipated expansion to meet the objectives of the medium-term plan for the period 1992-1997.

44. In regard to sub-item (i), China welcomed and approved the proposal to extend the present appointment of the Senior President of the Audit Office of Belgium as the External Auditor of UNIDO.

45. In connection with sub-item (j), his delegation regretted the failure of the Industrial Development Fund to achieve its target of $50 million of contributions annually. It urged the Secretariat to continue its efforts to obtain more contributions to the Fund and to conduct further studies and more extensive consultations with donors and recipients about ways and means of utilizing it as beneficially as possible. His delegation thanked the Governments of the United Kingdom, France, Germany and Belgium for their assistance to his country with IDF projects.

46. His delegation approved the draft conclusions submitted in connection with the matters covered by the remaining sub-items of agenda item 11.

47. Mr. ADEKANYE (Nigeria), speaking on behalf of the African Group, voiced the concern of the African countries at the serious financial situation of the Organization. The level of outstanding contributions was particularly disturbing: unless Member States fulfilled their financial obligations, UNIDO would be unable to function properly. He would once again, therefore, appeal to defaulting Member States, particularly the major contributors, to comply in a timely manner with the provisions of the Constitution and with financial regulation 5.5 (b).

48. The position of the African countries with regard to the programme and budgets for 1992-1993 had been expounded in detail in the Programme and Budget Committee. It was not their intention to block consensus on the adoption of a budget. Their concern was that, given the primacy of UNDP/IPF (indicative planning figure) resources in UNIDO's technical assistance activities, the largest share of which was destined for the African region, resources for projects and programmes there should reflect the reality of Africa as UNIDO's principal constituent. The revised proposals for the programme and budgets, 1992-1993, showed an overall $5.7 million reduction, which obviously implied cuts in technical assistance and other programmes for the developing countries. At the same time, the Secretariat was treating the electronic data-processing (EDP) programme as if it could not be modified. The delegations for whom he spoke found it difficult to accept that state of affairs.

49. They wished, therefore, to reiterate their view that, in the next revision of the budget proposals, technical assistance programmes for the developing countries should be restored to the same funding levels as in the original proposals. That could, they were sure, be achieved if activities were prioritized in accordance with the medium-term plan and the provisions of the Constitution. More specifically, substantial reductions were called for in EDP, not merely with regard to the mainframe computer but also - and perhaps more importantly - in the various contracts and subcontracts for facilities and other accessories. It was also the conviction of the African delegations that the funding of UNIDO's environment programme and of the energy programme, if approved, should be largely from extrabudgetary resources and not solely from the meagre regular and operational budgets of the Organization.

50. Finally, he submitted that, given the increasing demand for UNIDO's services, the practice of zero real growth budgeting should be reviewed as a matter of urgency. The informal open-ended working group of Member States should be reconvened to re-examine the issue, and some measure of real growth should be envisaged, at least in 1994-1995.

51. Mr. KOSTENKO (Ukrainian Soviet Socialist Republic) said that his delegation found itself in broad agreement with the conclusions and recommendations adopted by the Programme and Budget Committee at its recent session. However, it fully supported those delegations which considered that the suspension of financial regulations 4.2 (b) and (c), which related to unused balances from previous bienniums, should be of a merely interim nature. It was understandable that the Organization should endeavour to find a way out of the financial crisis, but in his delegation's view the solution lay not in constant tinkering with existing financial rules but in more clear-cut planning of UNIDO's activities and greater accountability for the ways in which the available funds were used.

52. His delegation was also seriously concerned by the situation which had arisen in connection with the adoption of the programme and budget for 1992-1993. As many delegations had pointed out, the new format of the document was largely satisfactory from the standpoint of clarity and simplicity, although it was not without shortcomings. The version prepared by the Secretariat which had been considered at the resumed session of the Committee on 27 June (PBC.7/10/Rev.1), provided a sound basis for working out a solution. It was regrettable that a consensus had not been reached on the document; he hoped that, at the resumed session on 23 August, delegations would adopt a more constructive approach.

53. Mr. CLARK (United Kingdom) said that his delegation had expected the Programme and Budget Committee to give the the Board firm and clear advice on the level of the budget for the next biennium. It had supposed that the discussion would resolve all the remaining problems. However, the Committee had had to defer its decision yet again to 23 August. That would be the last chance to keep UNIDO alive. The Committee, having failed to do its job, was now forcing the Board in turn to delay its decision on the most important item on its agenda. He hoped that that would not happen again.

54. His delegation had no problems in accepting the budget proposals providing that ceilings were set on the cost of the EDP programme and on restructuring.

55. His delegation accepted the obligations implied by the proposed scale of assessments as agreed by the Committee in its conclusion 1991/7, which, as usual, was based on the United Nations scale and reflected Member States' ability to pay.

56. Setting the scale of assessments was one thing; ensuring that enough money was available was another. His delegation was concerned that contributions still outstanding amounted to the equivalent of some $53,138,000. If UNIDO was to be in a position to make a worthwhile contribution to the development of the third world, it must have a sound financial base. He urged all Member States to pay their contributions in good time, and at any event to pay their arrears. No country was well placed to complain about future budgets if it had not fulfilled its obligations.

57. Turning to the Working Capital Fund, he said that his delegation was concerned that the non-payment of contributions by Member States had made it necessary for the Fund to be drawn down to the extent that it had become almost exhausted. However, his delegation believed that there was no case for increasing the Fund, since it already stood at more than one month's expenditure which was more generous than the United Nations norm. In his delegation's view the solution to the cash flow problem lay elsewhere.

58. UNIDO was in a dangerous situation. The failure to agree a budget had increased demoralization and the sense of uncertainty. Moreover, disquieting reports had been received from New York concerning the effects of UNDP decisions on UNIDO Country Director posts, which added to UNIDO's financial problems. His delegation hoped that it would be possible to resolve the outstanding issues on 23 August and, by agreeing a consensus budget on that date, restore a sense of purpose to the Organization and to the Member States.

59. Mr. BOKONGA (Zaire) thanked the Deputy Director-General for his introduction, and endorsed the statement made by the representative of Nigeria. His delegation joined in deploring the continued inability of the Programme and Budget Committee to endorse the budgetary proposals for 1992-1993. On the other hand, it might have created an unfavourable precedent if the Committee had taken a decision while a number of fundamental uncertainties remained. For that reason, his delegation could only urge that steps be taken to reach a satisfactory arrangement with regard to the electronic data-processing system, and to arrive at a consensus on UNIDO's organizational and staff structure. Finally, he wished to echo most strongly the appeal made by the representative of Nigeria to all Member States in arrears which were able to do so to regularize their situation; failure to do so would mean that a number of programmes might have to be placed in cold storage.

60. Mr. ALVAREZ GORSIRA (Observer for Venezuela) said his delegation had expressed its views fully in the seventh session of the Programme and Budget Committee. For the sake of brevity, he wished merely to recall his reservations concerning the Committee's conclusion 1991/3. The continued suspension of financial regulations 4.2 (b) and 4.2 (c) was not conducive to good management. He had reservations concerning the use of unutilized balances as supplementary estimates for subsequent bienniums. Neither did he agree with the redeployment of resources originally intended for the direct benefit of developing countries to other activities not expressly approved by the General Conference. The comments made by his delegation at the seventh session of the Programme and Budget Committee had been directed towards restoring good administration and the confidence of Member States in the Organization.

61. Mr. ANGUIANO ROCH (Mexico) said he wished to express his delegation's deep concern at the fact that the Programme and Budget Committee had not yet reached a decision on the Director-General's revised proposals for the programme and budgets of UNIDO for the biennium 1992-1993. The existing state of affairs was incompatible with the Financial Regulations and with the duties of UNIDO's policy-making organs. Many delegations had fundamental doubts about the way in which the Director-General had calculated the anticipated assessed income for the forthcoming biennium and about the unjustified expenditure which it was proposed to incur on the computerization system. His delegation reminded the Board that, at the resumed seventh session of the Committee, the Latin American and Caribbean Group had agreed to postpone a decision on the revised proposals on the understanding that the Secretariat would revise the proposals further for consideration by the Committee at the second resumption of its seventh session which would take place on 23 August 1991.

62. With regard to sub-items (a) and (e), his delegation approved the application to the regular budget of an estimated rate of inflation of 8.22 per cent, as reflected in the table in paragraph 91 of the introduction to the revised proposals (IDB.8/8/Rev.1), but it could not agree

that it should be applied to the artificially revalued figure of some $164 million. The regular budget appropriation for 1990-1991 was approximately $156 million; in keeping with the practice of zero real growth budgeting, the rate of inflation should be applied to that sum, not the higher one, so as to give a total of approximately $170 million for the regular budget for 1992-1993. That was the figure to which the coefficient of adjustment to the scale of assessments should then be applied.

63. Table 2 (a) of the revised proposals should thus show a total income of $171,750,600; the difference of $8,048,400 between that and the total projected regular budget expenditure of $179,799,000 in the biennium 1992-1993 should be shown as an adjusting entry on the other side. That was the real deficit proposed by the Director-General and corresponded basically to the expenditure proposed for the computerization programme, the implementation of which was beset by errors of calculation of various kinds and doubts about the commitments which it imposed on the Organization.

64. The correct action for the Board to take with regard to the proposed regular budget for the biennium 1992-1993 was to give clear instructions that the maximum amount of assessed contributions would be the approximate figure of $170 million which he had mentioned, and that any expenditure on the computerization programme from the regular budget should be met from existing resources and not from those allocated to other approved programmes. The Director-General should suggest a different figure from the $11,650,000 proposed in table 1 of the addendum to his revised proposals (IDB.8/8/Rev.1/Add.1) as the resource requirement for the computerization programme in 1992-1993. If the bulk of that expenditure was to be met from the regular budget - the $7.67 million proposed in paragraph 116 of the introduction to the revised proposals themselves (IDB.8/8/Rev.1) - expenditure on the programme would obviously have to be adjusted to a figure of approximately $378,000 if a deficit was to be avoided. His delegation could not accept statements of the kind made by the Secretariat at the resumed seventh session of the Programme and Budget Committee to the effect that suspending payment on the computerization programme in 1992-1993 and beyond would force UNIDO to revert to manual systems of data processing. If that was so, what justification was there for the unauthorized expenditure of nearly $20 million which had taken place or would take place from 1989 to the end of 1991?

65. Mr. SPROW (United States of America) said his delegation could support the revised proposed programme and budget contained in document IDB.8/8/Rev.1, since it reflected the concerns Member States had expressed in the course of the April meetings of the seventh session of the Programme and Budget Committee. He reiterated his delegation's disappointment that it had not been possible to reach a conclusion thereon. Indeed, the failure to agree on such a fundamental matter raised serious questions about the continuing viability of the Organization.

66. Mr. RIBEIRO DA SILVA (Brazil) shared the views expressed by the representatives of Argentina, Mexico and Venezuela. His delegation supported Programme and Budget Committee conclusion 1991/2. He had reservations concerning the suspension of financial regulations 4.2 (b) and 4.2 (c). He was seriously concerned about the transfer of expenditures without the express approval of the General Conference and disagreed fundamentally with subparagraph (b) (iv) of conclusion 1991/3.

67. He joined with other delegations that had expressed regret at the failure to reach a decision on the programme and budget. However, the policy of his Government was not to approve real growth budgets. Without transparency and clear explanations, it would be difficult to convince his Government otherwise. He hoped that the next revision of the programme and budget would be the last.

68. Regarding conclusion 1991/9, his delegation had not opposed consensus on the split assessment ratio, but it was not in favour.

69. Mr. KOCH (Germany) said that, taking a pragmatic approach, his delegation could have accepted the revised proposed programme and budget submitted to the resumed seventh session of the Programme and Budget Committee. He trusted that the second resumed session of the Committee would result in a conclusion.

70. It was his understanding that the costs of the resumed sessions of the Programme and Budget Committee and the Board would be met from within existing approved estimates. He requested confirmation of that by the Secretariat.

71. Mr. TCHOULKOV (Union of Soviet Socialist Republics) said his delegation regretted the failure to achieve consensus on the programme and budget for 1992-1993 at the resumed session of the Programme and Budget Committee. He hoped that next resumed session of the Committee would achieve that consensus, thus creating a sound, healthy working environment enabling the Organization to concentrate on substantive issues.

72. Mr. PUTHO (Observer for Thailand) said his delegation could accept the revised programme and budget proposal contained in IDB.8/8/Add.1, and regretted that it had not been adopted. In a spirit of consensus, his delegation had not blocked the decision to hold a resumed session of the Programme and Budget Committee on 23 August. However, he urged Member States to be flexible to ensure that the programme and budget would be adopted then; otherwise, the consequences for the Organization would be very serious.

73. Mr. RIOBO PIÑONEZ (Chile) regretted that many of the activities under the operational budget were only indirectly connected with technical assistance. He would have liked to have seen more, not less, resources allocated to ECDC/TCDC. On the other hand, the amounts provided for the environment programme seemed excessive. Finally, concerning conclusion 1991/13, paragraph (c), the funds to meet the fees of the EDP experts should be drawn from the regular budget, not the operational budget, in order to comply with the financial regulations, which prohibited transfers between the two budgets.

74. Mr. TALUKDAR (Observer for Bangladesh) said he shared the concern over the effects of the failure to decide on a programme and budget for the next biennium. He also expressed concern at the high level of arrears of assessed

contributions, and urged Member States to remedy that situation. Thirdly, the resource constraints on UNIDO made it desirable that the question of zero real growth budgets should be reviewed by the General Conference.

75. Mr. SIAZON (Director-General), replying to the question raised by the representative of Germany, said that the additional costs of the resumed sessions of the Programme and Budget Committee and the Board had, of necessity, to be absorbed in existing appropriations.

76. In reply to the representative of Chile, he pointed out that, as defined in the Constitution, the operational budget consisted of all voluntary contributions, including UNDP funds, available for technical cooperation, and not merely support costs. However, according to convention and practice the operational budget was constructed only on the basis of support cost income. The different sources of funds were separated for working purposes, but it had to be emphasized that they were all part of the operational budget. Resources were available for ECDC. However, in his view, it was important first to identify good programmes and projects. Having done that, it would always be possible to find funding from one of the possible sources.

MEDIUM-TERM PLAN, 1992-1997 (IDB.8/30; PBC.7/17)

77. The PRESIDENT drew the attention of the Board to Programme and Budget Committee decision 1991/5, recommending to the Board that it submit to the General Conference for approval after due consideration the revised version of the draft medium-term plan (PBC.7/17).

78. Mr. ERSAVCI (Turkey) said he agreed with the medium-term priorities contained in document PBC.7/17, but felt they should be properly reflected in the programme and budget. There was also a need for some flexibility, to avoid inequitable geographical distribution of cooperation, and to permit attention to special needs, outside the medium-term priorities, of particular developing countries.

79. He agreed that the environment programme should be financed from extrabudgetary sources. He hoped that the Secretariat would seek out new sources of funding, especially through investment promotion and trust funds.

PROGRESS REPORT ON NEW CONCEPTS AND APPROACHES FOR COOPERATION IN RESPECT TO INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (c) OF THE CONSTITUTION (IDB.8/39)

80. The PRESIDENT pointed out that document IDB.7/15 on the present item had been submitted to the Board at its seventh session. The Board had decided to postpone consideration of the subject until its eighth session; it now had before it an updated version of document IDB.7/15 in document IDB.8/39.

81. Mr. RIBEIRO DA SILVA (Brazil) said he could accept paragraph 41 of IDB.8/39, since it now reflected his delegation's belief that UNIDO was in a position to be trading at the macro-economic level. He liked the new concept of the strategic management of industrial policy described in paragraph 39 of IDB.8/39, since it was a modern approach. He did have some doubts about UNIDO's role as an impartial intermediary, but generally his delegation could accept the concepts and approaches described even if they were perhaps not so new. He hoped that in future there would be an opportunity for an in-depth discussion of such issues, perhaps in a working group.

82. Mr. RIOBO PIÑONEZ (Chile) expressed appreciation for document IDB.8/39. However, he did not think that the approaches and concepts contained in it were really new. He felt that there could be regular discussion, perhaps every two or three years, involving Member States and experts outside the usual circle consulted by the Director-General, in order to seek genuinely new approaches and concepts.

83. Mr. SIAZON (Director-General) agreed that it would be useful to learn from Member States what they expected or would like with respect to new concepts and approaches. Statements in the Board on the subject would be a good way of obtaining new ideas. Perhaps a working group could be established again, although he thought that it should not meet too often. New concepts and approaches could also be developed in the context of bilateral relations between UNIDO and Member States, such as the UNIDO/Brazil joint committee.

The meeting rose at 10.45 p.m.